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This Week in Canadian Agriculture, Issue 8 2003

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Report Highlights: Farm Cash Receipts Decline * Canada Says G7 Should Cut Subsidies * No Solution to Lumber Dispute * Canada Should Turn to WTO, NAFTA for Softwood Settlement Says Finance Minister * CWB Lowers Pool Return Outlooks for 2003/04 * Campaign Starts Against Genetically Modified Wheat * Proposed Changes to Canada Transportation Act May Affect Grain * Burgerland Suffering from Fast Food Discounting * Canadian Household Food Spending * Mardi-gras Themed Catfish Promotion * Canadian Food & Beverage Show a Success...and more!

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

FARM CASH RECEIPTS DECLINE: According to Statistics Canada, farm cash receipts from livestock sales, crop sales and program payments slipped to C\$35.7 billion during 2002, a decline of 1.5%, or \$560 million, from the record \$36.3 billion in 2001. Nationally, farmers received C\$18.0 billion in livestock receipts, down 4.5% from 2001. Surprisingly, given severe drought conditions that hammered crops in parts of western Canada, crop receipts rose 4.7% to C\$14.3 billion. Government program payments fell 9.3% to \$3.4 billion, even though crop insurance payments hit record levels. Livestock revenues fell for the first time since 1999. Hog receipts fell 13.9% to C\$3.3 billion, as prices slumped below the previous five-year average. Cattle and calf receipts fell 3.4% to C\$7.6 billion in 2002, halting six straight years of increases. Crop receipts rose in all provinces, except in Saskatchewan, where they fell 5.3%, and in Alberta, where they declined 7.9%. In both cases, production of wheat, barley and canola was hit hard by drought. Potatoes receipts hit a record C\$952 million in 2002, up 30.4%, in the wake of export demand for fresh and processed potato products. Receipts for grain corn rose 27.8% to C\$813 million. Marketings increased 10.8% in 2002, the result of above-average production in 2001 and 2002, and price increases.

CANADA SAYS G7 SHOULD CUT SUBSIDIES: The February 24 edition of *Good Morning Ontario* reported that Canadian Finance Minister John Manley is urging members of the Group of Seven (G7) rich nations to cut farm subsidies. Manley told his colleagues from the United States, France, Britain, Germany, Italy and Japan that reducing agricultural subsidies is the best way to push global trade liberalization talks forward. "It went very well. It was well received by the British and the Americans. He (Manley) is confident he's got it on their radar screens," a Canadian official said.

NO SOLUTION TO LUMBER DISPUTE: According to the Canadian Press, talks aimed at resolving the softwood lumber dispute between Canada and the United States have broken down. Canada's International Trade Minister Pierre Pettigrew said earlier this week that negotiations came to a halt after a failure to make progress on two key issues, namely transition measures such as an export tax, and whether any of the \$1 billion in duties collected by the U.S. will be returned to Canadian companies. Pettigrew said, "We're taking a break", but added that contact would continue.

CANADA SHOULD TURN TO WTO, NAFTA FOR SOFTWOOD SETTLEMENT SAYS FINANCE MINISTER: The Canadian Press, on February 26 reported that the stalemate of negotiations with the United States on softwood lumber duties leaves Canada with no choice but

to pursue a resolution at international trade tribunals, said Finance Minister John Manley. Negotiating a settlement to lift the duties would be ideal, Manley told a group of business leaders in this Vancouver suburb, but Canada won't settle for an unfair deal. "A negotiated settlement is faster, saves on costs and gives certainty," he said. "But we can't give away the store." "Canada has a strong case and will win its challenges at the World Trade Organization and under the North American Free Trade Agreement," Manley said. Rulings from the WTO and a NAFTA panel on the legality of the U.S. duties are expected around May. A legal decision in Canada's favor could prompt the United States to be more flexible and strike a negotiated settlement, said Manley. That, he said, is likely the industry's best hope. "I don't think we can negotiate anything other than from a position of strength," said Manley. "We will carry on with our approach, which has been to litigate the issue until we see some flexibility on the U.S. side that could lead to a satisfactory conclusion."

CWB LOWERS PROS FOR 2003/04 CROP YEAR: On February 24, the Canadian Wheat Board (CWB) released its first Pool Return Outlook (PRO) for the 2003/04 crop year. Pool returns for 2003/04 are projected to drop as global production is expected to recover. The first PRO of 2003/04 also includes a value for Canada Western Experimental Hard White wheat. Wheat values range from C\$30 per tonne to C\$67 per tonne lower compared to values in the January PRO for 2002/03. Durum values are between C\$30 and C\$55 per tonne lower. Feed barley values are C\$41 per tonne lower while two-row designated barley values are down C\$36 per tonne and six-row barley values dropped by C\$32 per tonne. To view the 2003/04 PRO, visit: http://www.cwb.ca/db/contracts/pool_return/pro.nsf/WebPRPub/2003_20030224.html

CANADIAN SENATE COMMITTEE MAY RECOMMEND PAYING FARMERS NOT TO PLANT: A Canadian Broadcasting Corporation (CBC) news article picked up by the February 25 edition of *Good Morning Ontario* reported that some members of the Senate committee on agriculture say they will support a proposal from farmers to be paid to let their fields lie fallow. The committee is holding hearings across the country and is in Saskatchewan. Farmers there proposed they should be compensated for creating so-called 'carbon sinks' by not tilling the soil on farmlands.

MAXIM CORN AND SOYBEAN SEED TREATMENT APPROVED BY CANADA: According to the February 25 edition of *Good Morning Ontario*, Maxim 480FS, a seed treatments used on corn and soybeans in Canada, was recently approved for use on over 200 crops, giving it the widest registration of all seed treatments. The Pest Management Regulatory Agency (PMRA) granted the new registration on January 22, 2003. "The good news is that the Canadian Maxim label is now more closely aligned with the label in the United States," says Rick Istead, Seed Treatments crop manager with Syngenta Crop Protection Canada Inc., the makers of Maxim 480FS. "That's very important for the cross-border movement of treated seed and the export of harvested crop."

CAMPAIGN STARTS AGAINST GENETICALLY MODIFIED WHEAT: According to a February 26 *Winnipeg Free Press* article, a Prairie tour designed to speak out against genetically modified wheat started off in Winnipeg, Manitoba. The Council of Canadians, the National Farmers Union (NFU), the Saskatchewan Organic Directorate and Alberta's Parkland Institute have organized 11 public meetings across the three Prairie provinces to outline their case against

genetically engineered wheat in protest of Monsanto's recent submission for government approval of Roundup Ready wheat. Starting the tour at the University of Manitoba, speakers included environmental and plant scientists from the university. The tour will focus on the dangers of genetic contamination of traditional crops, loss of biodiversity, the inability to save seeds for replanting and potential market loss for wheat farmers. The NFU is asking farmers to boycott Roundup until Monsanto agrees to withdraw its licence application. Monsanto hopes to soften that opposition with more information on the biotech wheat's safety. Canadians already eat genetically modified canola, soy and other products.

PROPOSED CHANGES TO CANADA TRANSPORTATION ACT MAY AFFECT GRAIN:

According to the February 26 edition of *Agriline*, Transport Minister Collette released an outline of proposed amendments to the *Canada Transportation Act* (CTA) of which three provisions may affect grain shipments. One would remove the requirement for the Canadian Transportation Agency to determine that a rail shipper would suffer "substantial commercial harm" before allowing a remedy against a railway. Another would impose regulated rates on shipments on a branch line where there is no competition to the nearest interchange point. A third would require railways to publish a list of sidings where producer cars can be loaded and give 60 days public notice before removing them from operation. A Canadian National Railway (CNR) official said the plan is a move toward re-regulation of rail rates.

BURGERLAND SUFFERING FROM FAST FOOD DISCOUNTING: Canadian fast food burger chains are grappling with price discounting in an attempt to bring back customers. According to a report this week in the *Globe and Mail's Report on Business*, discount fever is sweeping the fast-food burger business as chains struggle to win back customers and boost stagnant sales. "The past few months have been quite tough and we're all feeling the squeeze," said Leslie Root, marketing director at Burger King Restaurants of Canada Inc. in Toronto. Despite lowering its prices -- and profit margins -- Burger King's sales are down from last year, she said. The price war is being driven by such factors as an uncertain economy, cold weather, fears of war in Iraq and a glut of fast-food restaurants. With so many players competing for the consumer's meal dollar, chains have to cut prices or risk losing customers. Making matters worse, fast-food eateries face a growing threat from full-service restaurants that are popular with baby boomers and their families. The so-called "family dining" category grew 8 per cent for the 12 months ended Nov. 30 -- double the growth rate for fast-food chains, according to figures provided by market research firm NPD Group.

CANADIAN HOUSEHOLD FOOD SPENDING (All values expressed in Canadian dollars): Canadian households spent almost the same amount on food in 2001 as in 1996, according to new Statistics Canada data from the Food Expenditure Survey. Growing preference for eating out during this five-year period, however, has changed how food dollars are spent. In 2001, households spent an average of \$124 a week on food in either stores or restaurants, an amount similar to five years earlier when inflation is taken into account. For every dollar households spent on food in 2001, 30 cents went to restaurant meals, up from 28 cents five years earlier. The share spent in stores declined correspondingly, from 72 cents of every dollar in 1996 to 70 cents in 2001. Households spent an average of almost \$38 a week in restaurants and \$86 on food purchased in stores in 2001. More than 80 cents of every food dollar spent in stores in 2001 was spent in a supermarket. Specialty food stores, convenience stores and other types of stores such

as department stores or drug stores were well behind, with less than 20 cents each of that dollar.

SINGLE MEN PREFER EATING OUT: Statistics Canada's food expenditure survey also showed that men who lived alone spent the highest proportion of their food budget in restaurants. Not surprisingly, couples with children spent the highest amount each week on total food purchases. The Statistics Canada survey also showed that a couple with at least one child spent on average C\$171 a week on food purchases in 2001.

MARDI-GRAS THEMED CATFISH PROMOTION: Wednesday, February 26, 2003 edition of the Ottawa Citizen newspaper published a feature on U.S. farm-raised catfish, "Think Catfish this Mardi Gras", expounding its quality and taste. The Catfish Institute is an FAS market development cooperator, and the Canadian marketing representative claims this feature is a carry over from the November 4th, 1999 Gala Opening of the new U.S. Embassy in Canada, coordinated and sponsored in part by the FAS Ottawa office, and 11 FAS cooperators, including U.S. Catfish. This event hosted over 500 media and foodservice owners and managers in Ontario and Quebec. One of the measures of success was media coverage of the event and the products featured; it appears it is still going on. For the full article access www.canada.com and click on Ottawa. For more information about U.S. catfish go to: <http://www.catfishinstitute.com/>

CANADIAN FOOD & BEVERAGE SHOW A SUCCESS: The Canadian Food & Beverage Show, which was held February 16-18 in Toronto once again proved to be a great success for the USA Marketplace Pavilion exhibitors. The pavilion was comprised of 13 exhibitor booths, representing a total of 17 companies; a U.S. business center; and a cooking demonstration area, where a well-known local chef showcased products from the participating U.S. companies in cooking shows. One of the exhibitors, a Kona coffee company from Hawaii, signed a contract with one of the larger food distributors in Canada for national distribution of their products. Projected 12-month sales resulting from the show are expected to approach \$1 million.

Did You Know ...that the confectionery industry in Canada is highly concentrated. The leading eight enterprises produce close to 87% of the value of shipments. An estimated 60% of industry shipments are accounted for by foreign-controlled enterprises located in Canada. (Source: AAFC)

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA3011	This Week in Canadian Agriculture, Issue 7	2/21/2003
CA3009	Semi-Annual Livestock Report	2/10/2003

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